

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE FILING BY)	
IDAHO POWER COMPANY OF ITS 2002)	CASE NO. IPC-E-02-8
ELECTRIC INTEGRATED RESOURCE)	
PLAN (IRP))	ORDER NO. 29189
)	

On June 28, 2002, Idaho Power Company (Idaho Power; Company) filed its 2002 Integrated Resource Plan (IRP) with the Idaho Public Utilities Commission (Commission). The Company's filing is pursuant to a requirement established in Commission Order No. 22299, Case No. U-1500-165.

The IRP describes the Company's loads and resources, provides an overview of technically available resource options including purchases of power from the wholesale market, the acquisition of additional generating resources and pricing options and demand-side management programs. Under the Company's planning assumptions, the Company contends that existing resources are likely to be insufficient to meet expected peak energy requirements as early as 2003.

The Commission in this Order acknowledges and accepts the Company's 2002 IRP filing, provides direction and suggested changes to Idaho Power for future IRPs and denies the Petitions filed by AARP, the Clean Energy Advocates and the Idaho Rural Council to initiate a formal proceeding or docket.

2002 INTEGRATED RESOURCE PLAN

The 2002 Integrated Resource Plan assumes that during the planning period, from 2002 through 2011, Idaho Power will continue to be responsible for acquiring sufficient resources to serve its customers and will continue to operate as a vertically-integrated electric utility. One of the Company's stated goals is to ensure that resources selected are cost effective, low risk and meet the increasing electrical energy demands of its customers. The number of households in the Company's service territory is expected to increase from 310,000 today to nearly 380,000 by the end of the planning period in 2011. Under the 70th percentile water and load conditions, the Company projects that peak hour loads may cause peak hour transmission overloads from the Pacific Northwest presenting significant difficulties during the summers of

2003 and 2004. A combination of purchases from the east side of the system, demand reduction programs, and temporary generation resources may be required to meet the projected summer peak hour loads in 2003 and 2004.

In the Company's 2000 Integrated Resource Plan, Idaho Power identified a need for additional generating resources located close to the Treasure Valley load center beginning in June 2004. The identified need was the basis upon which Idaho Power issued a request for proposal. The Garnet Energy LLC proposal was selected. A Power Purchase Agreement (PPA) between Idaho Power Company and Garnet Energy LLC was negotiated and filed with the Commission in December 2001. The Garnet project, had it gone forward, would have allowed the Company to purchase up to 250 MW of capacity and associated energy during periods of peak need.¹

Future resource options identified by the Company include market purchases, generation and transmission resources, targeted demand side management, targeted conservation measures and pricing options.

In the near term, the Company in its IRP identified six items to address its resource needs:

1. Continue to make seasonal purchases of wholesale market power of about 100 average megawatts during the utility's peaking months of June, July, November and December. A megawatt is enough energy to power about 750 homes.
2. Integrate demand side (conservation) measures, where economical, to address the short duration peaks of the system load.
3. Solicit proposals and initiate the siting and permitting for about 100 megawatts of a utility-owned and operated peaking plant to be available beginning in 2005.
4. Purchase up to 250 megawatts of capacity from the Garnet project, if approved, for use during peak periods beginning June 2005.¹
5. Add a new ten-mile transmission line between Brownlee and Oxbow that will add 100 megawatts of transmission capacity. The transmission upgrade is planned to be in service in the fall of 2004.

¹ The Garnet case, Case No. IPC-E-01-42, was dismissed on July 24, 2002 pursuant to a motion filed by Citizens for Responsible Land Use. Reference Order No. 29085. As reflected in a subsequent filing with the Commission on October 23, 2002, the Company reports that the Garnet project for economic reasons is not going forward.

6. Proceed with an upgrade at Shoshone Falls, expected to be in service in 2007. This will result in an average increase in output of about 30 megawatts.

Additionally, the Company notes that it supports the Green Power Program. To meet the needs of customers desiring green energy, the Company has identified two specific near term actions to be initiated during the next two years:

1. Idaho Power anticipates participating in several educational and demonstrational energy projects with a focus on green resources.
2. Idaho Power intends to dedicate up to \$50,000 to explore the feasibility of constructing a pilot anaerobic digester project within the Company's service territory.

Idaho Power states that the Company and the Commission must agree on mechanisms that ensure prompt recovery of prudent costs incurred for the pilot and demonstration projects.

Idaho Power notes that it will continue to pursue cost effective incremental upgrades at its existing generation facilities. The Company will also continue to use the short-term regional market to balance system load and generation, as well as take advantage of the long-term energy market to secure energy at reasonable prices.

The Company's Integrated Resource Plan filing includes the plan, sales and load forecast, a technical appendix, conservation plan and an economic forecast.

COMMENTS

On July 18, 2002, the Commission issued a Notice of Filing in Case No. IPC-E-02-8 and established a comment deadline of August 30, 2002. Comments were filed by Idaho Rivers United, Northwest Energy Coalition and the Land and Water Fund of the Rockies, collectively called the Clean Energy Advocates or Advocates, Jay C. Hormel, Windland, Inc., Citizens for Responsible Land Use, Windworks, Inc., Idaho Rural Council, Advanced Energy Strategies and Commission Staff. Idaho Power filed reply comments on October 23, 2002.

The comments of the parties and reply comments of the Company can be summarized as follows:

Commentors suggest that the plan is flawed in the following respects:

1. That the public process was a charade because there was no public discussion of the options available. The Rural Council contends that public hearings without listening are a serious disservice.

2. That the 2002 IRP is not an "Integrated Resource Plan"; that the plan fails to present a balanced consideration of demand side and supply side resources as required in 1989 by Order No. 28299, Case No. U-1500-165.
3. That the IRP failed to incorporate an end use load analysis; that without adequately understanding the character of its load the Company cannot effectively plan for meeting its load in the most cost effective manner.
4. That the Company failed to conduct a fair and detailed analysis of the benefits and costs of wind power.
5. That the IRP does not adequately address transmission constraints and related plans to remedy same.
6. That the IRP failed to consider what the Company could do in terms of conservation, efficiencies, shaping of demand curves and programs to encourage customers to shift their energy use to off-peak hours.
7. That the risk adjusted cost of fossil fueled alternatives are understated by the magnitude of the unhedged risk of future fuel price variability.
8. That the IRP does not outline a plan to meet customer energy needs in a cost effective manner, but instead is presented as a justification for the Company to sell more energy from IDACORP controlled facilities (e.g., Garnet project).
9. That the IRP failed to seriously consider any non-hydro power renewable energy.
10. That the four resource strategies analyzed by the Company for satisfying future resource deficits are based on the assumption that the Commission would approve the Garnet contract.

The following recommendations were made:

1. Require the Company to hire an outside facilitator to manage a process that would consider not only energy production, but also energy conservation, DSM, efficiency measures, load-shifting measures, distributed renewable generation and alternative/clean energy sources.
2. Recommend that the Company focus on creating a new diversified power base to include more renewable energy such as wind, solar, and biomass. Company reliance on a homogenous generation base consisting almost exclusively of thermal and hydropower generation is perceived to only exacerbate extreme conditions.

3. Recommend that the Company be required to conduct an end use load research study as part of its IRP process.
4. Recommend that the Company be required to re-evaluate various DSM alternatives, targeted conservation and pricing options such as time-of-use pricing – this time assigning appropriate value to each alternative's potential to displace or defer the need to add new generation, transmission and distribution facilities. The burden should be on Idaho Power, Staff contends, to demonstrate why peak load reduction measures are not viable.
5. Recommend closer scrutiny of the Company's proposed change in water planning criteria (moving from median water to more extreme water and weather conditions).
6. Recommend that the Company evaluate DSM as part of the IRP process and include the results of that analysis in the IRP. Staff believes that the Company may have the potential to achieve a DSM load reduction goal in the range of 150 aMW to 400 aMW over the next few years. A reasonable peak load reduction, Staff contends, is 10%, or 330 MW, within three years.
7. Recommend that the Company be required to solicit bids for peaking plants. The IRP indicates that the Company plans to solicit proposals and initiate the siting and permitting of approximately 100 MW of utility-owned and operated peaking resource to be available beginning in 2005.
8. Recommend greater scrutiny by the Company of possible transmission upgrades and additions that would provide better access to the market, especially during critical peak periods.

Apart from its request that the Company's IRP be rejected, Staff makes the following specific comments on the Company's IRP filing.

- Planning criteria

Staff agrees with the Company's decision to plan using more conservative water and load condition criteria as a way of reducing planning risk and rate volatility.

- Load Forecast

In the Company's 2000 IRP, the expected ten-year average annual load growth was forecasted at 1.8 percent. In the 2002 IRP the rate is 2.3 percent. Staff notes that the new forecasted growth rates are based on a new economic forecast, the prediction of sales and load figures on a monthly basis, rather than a seasonal or an annual basis, use of a median peak day temperature in its analysis instead of an average day temperature, and modifications to more

accurately account for differences between when energy is actually used and when meters are read and bills prepared.

Staff points out a perceived incongruity and overstatement in the Company's residential load forecast, which when corrected would reduce projected usage.

- Market Purchases

The Company's IRP reflects a decision to reduce its reliance on market purchases. The Company, Staff contends, recognizes the substantial risks associated with over reliance on the market. The Company's decision also reflects that substantial investment in additional transmission facilities would be required to relieve existing transmission constraints.

- DSM – Conservation Efficiency and Pricing Options

Idaho Power mentions DSM in most chapters of its IRP, but other than an irrigation time of use pricing trial does not list or describe any new measures that it is currently investigating to help meet its future resource requirements. Omitted from the IRP is any suggestion that Idaho Power will investigate or implement any DSM that is not targeted at reducing short duration peak loads. The Company in its IRP states that it is waiting for the issuance of customer funding for DSM to be resolved before it will initiate DSM measures. The Company is also concerned about the revenue effects of reduced sales resulting from DSM. In Order No. 29026, issued May 13, 2002, over six weeks before the IRP was filed, Staff notes that the Commission approved a Company proposal to implement a 0.5 percent surcharge to fund DSM projects. More importantly, Staff contends that the Company's position of waiting for "customer funding" is contrary to the first ordering clause in Commission Order No. 22299, issued January 27, 1989, in Case No. U-1500-165, which requires that electric utilities "give balanced consideration to demand side and supply side resources when formulating resource plans and when procuring resources." Order at p. 20.

- Shoshone Falls Upgrade

Idaho Power in its IRP proposes pursuing a 64 megawatt upgrade of its Shoshone Falls plant. The Company states that this is a non-deferrable project. Staff contends that more information is necessary to judge whether upgrading the plant is reasonable. It would seem, Staff states, that most of the increased generation would not be during either the peak summer or winter months when the Company expects to have deficiencies. In the summer time, flows are

diverted upstream of Shoshone Falls for irrigation. In the wintertime, flows are normally quite low due to the weather.

- Additional Strategies

Staff further supports the Company's plans as reflected in additions to its earlier draft IRP to:

1. Make firm purchases for the system (possibly sourced from areas other than the Pacific Northwest) while simultaneously making a non-firm off system sale. This provides Idaho Power with the ability to interrupt the non-firm sale during critical peak-hour conditions.
2. Accelerate construction of the Brownlee to Oxbow No. 2 transmission line from its originally planned completion date in 2005 to the summer of 2004.
3. Investigate opportunities for cost effective power exchanges as a method to manage projected surpluses and efficiencies.
4. Incorporate into its planning the short-term peaking capability of the C J Strike, Bliss and Lower Salmon hydro plants.

These additions, Staff contends, may represent viable alternatives to help relieve peak hourly deficiencies.

Idaho Power Reply Comments

Idaho Power addresses the following subjects in its reply:

- Garnet Power Purchase Agreement

The Company acknowledges that the removal of Garnet from its 2002 resource stack will require expeditious pursuit of cost effective alternative resources. (Reference Order No. 29085 – Commission direction to Company to file Garnet Report.) Idaho Power notes that contemporaneous with its reply comments, the Company has filed its Garnet Report where in it has presented several alternative resource strategies to the Commission. As a result of changes in the wholesale energy markets, the Company is optimistic that it will be able to replace the seasonal purchases specified in the Garnet Power Purchase Agreement with a combination of resources including, but not limited to, seasonal wholesale firm power purchase contracts and exchange contracts at prices equal to or less expensive than the cost of the Garnet PPA. Idaho Power represents that it is actively pursuing negotiations to secure some of these resource

options. Negotiation particulars were provided to the Commission under separate confidential seal.

- Conservation

Idaho Power believes that using estimated conservation savings to defer or displace other resources in the IRP would be inconsistent with prior Commission Orders and has the potential to short circuit the Commission's recently approved Energy Efficiency Advisory Group (EEAG) process. In support of its decision to not evaluate and assign specific values to potential DSM, conservation programs and new energy pricing options (e.g., time of use pricing, inverted rates, etc.) and use assigned values to displace or defer the need to add new generation, the Company cites Commission PURPA Order No. 22636 wherein the Commission stated:

All three of the utilities plan to use conservation as their next resource. Yet we are unaware of a single electric utility that has documented a reliable, predictable conservation resource procurement program. We applaud the Idaho electric utilities for their new-found enthusiasm for conservation. However, until there is sufficient industry experience in estimating the quantity, quality, and cost of conservation resources so that they are procurable and reliable, we will not consider them avoidable resources: You can't avoid what you can't procure. Therefore, only conservation resources actually contracted for shall be used to extend the time until load/resource balance; estimated future conservation resources shall not. Utilities are expected to contract only for reasonably confirmable conservation resources.

Order No. 22636, pp. 51-52.

For many years, the Company states, it has prepared and filed a Conservation Plan with the Commission that is separate from the IRP and identifies possible conservation load reductions. A copy of the Conservation Plan has been included with the Company's 2002 IRP. Under the existing conservation planning regime, the benefits of existing conservation, the Company states, are reflected in the IRP as reduced load forecast. Additional estimated or projected conservation savings are not treated as resources to defer or replace future planned resources. The Company expects that the written reports generated in conjunction with the recently approved Energy Efficiency Advisory Group process will be an integral part of the Company's annual conservation reporting process.

The Company notes that the Commission and Company have created a method to fund conservation (tariff rider) as well as an advisory group (EEAG) to ensure that the Company's conservation programs are realistically assessed and conservation funds are wisely spent – to ensure

that Idaho Power “contracts only for reasonably confirmable conservation resources.” Idaho Power states its intention to work closely with EEAG to evaluate potential demand reduction and energy conservation programs.

Idaho Power believes that the proper forum for identifying and promoting new conservation programs is the EEAG process. Requiring the Company to develop conservation plans within the IRP process, it contends, would render the EEAG process meaningless. The Company contends that the EEAG process should be given an opportunity to succeed before it is discarded and replaced by energy goals or targets developed in the IRP.

Attached to the Company’s reply comments are copies of all Commission Orders pertaining to Idaho Power and conservation.

- End Use Research

Idaho Power disagrees that end use studies are a critical part of the integrated resource planning process or are necessary to make good resource planning decisions. The term “end-use,” it states, is not mentioned in Commission Order No. 22299 directing utilities to submit resource management reports or integrated resource plans.

There is significant agreement among all parties, the Company states, that the primary contributors to Idaho Power’s summer peak are residential and commercial air conditioning and irrigation load. For current resource planning purposes, the Company therefore contends that it is more productive to focus immediate attention and programs on air conditioning and irrigation loads, where there is the greatest likelihood to reduce summer peak demand.

Idaho Power states that it is presently investigating demand reduction pilot programs focusing on residential air conditioning and irrigation loads. An end use study is not essential, the Company states, for developing these pilot programs.

- Planning Criteria

The Company notes that the Advocates in their comments were critical of the Company’s proposed change in water and load condition planning criteria. The Company indicates that this change was suggested and discussed at numerous public meetings following the 2000-2001 run-up in market prices. Under median planning, the Company states, it was understood that if streamflows were below median or loads were higher than forecast, the Company would meet deficiencies with market purchases. Reliance on market purchases as a contingency was a reasonable and time-tested planning consideration. The changes to the planning criteria in the

Company's 2002 IRP assume that lower than median water conditions and higher than expected load conditions are the starting point for planned additional resources. By acquiring resources based on the new starting point, the Company has less reliance on market purchases.

In response to the Advocates contention that "contingency planning" should be "the cornerstone" of the IRP and that the Company should plan for critical water and load conditions, the Company states that it is involved in "contingency planning." However, the Company views contingency planning as a relatively near term process rather than a long-term process. The Company believes that changing the nature of the IRP from a long-term planning document to a contingency evaluation document is inappropriate.

- Alternative Rate Structures

It was suggested by several commentors that Idaho Power evaluate alternative rate structures to reduce peak loads. The Company states that it has looked at time-of-use pricing and submitted its report to the Commission. Reference Case No. IPC-E-02-12. The Company's conclusion in its report was that until an automated meter reading system is in place that allows for the economic recording and collection of customer usage by time of day, residential time-of-use pricing is not economically viable. Idaho Power believes that Case No. IPC-E-02-12 and not this case is the proper form in which to consider comments regarding time-of-use pricing.

It is the Company's stated position that alternative rate structures to the extent that they result in load shifting, must not have a negative impact on the Company's revenues and expenses.

- Load Forecast

Idaho Power agrees with Staff that its forecasted residential growth rate is in error. The Company corrects for the error. The Company presents new growth rates for Idaho households, Idaho Power service area households, the number of residential customers, and residential electricity sales.

The Company notes that electricity demand varies inversely with electricity prices. Higher prices have reduced customer use on an annual basis. Summer months, however, continue to show increasing use. Once electricity prices return to closer to historical normal levels, Idaho Power expects residential use per customer to increase for a time before stabilizing and returning to a slow pattern of downward descent on an annual basis.

- Shoshone Falls

Idaho Power believes that the Shoshone Falls upgrade should be pursued. It is an opportunity to provide additional renewable energy and it is the lowest cost opportunity for the Company to add additional generation at existing hydro facilities. While the Shoshone Falls expansion would provide limited peaking capacity, the Company states that it continues to spill significant volumes of water over the falls during winter and spring months and during high water years during the whole year. The Company projects that the increased energy generated will be at or below market rates. In the long-term, the Shoshone Falls project, the Company states, is expected to reduce overall power supply costs. If Idaho Power declines to pursue the expansion development at Shoshone Falls, the Company states that the opportunity becomes available to other generation developers.

- Market Purchases

The Company plans to continue to utilize long and short-term market purchases throughout the planning period to supplement existing and future Company resources. The Company agrees with Staff that excessive reliance on the market, especially excessive reliance on the real-time or spot market, carries excessive risk. The Company intends to reduce reliance on the short-term or spot market by acquiring resources, including long-term firm market purchases from entities that own generating resources. The Company is presently investigating opportunities to secure long-term firm commitments for capacity, energy and transmission. (See Garnet Report.)

For determining system deficiencies, the 2002 IRP assumes that all market opportunities are in the Pacific Northwest power market. The Northwest is Idaho Power's preferred market for two reasons – liquidity and price. Northwest transmission constraints, the Company contends, may result in purchases from the northeast, east or south power markets.

- Renewable Resources

Idaho Power does not dispute the fact that wind developers with detailed analysis and monitoring of specific proposed projects should have more accurate data than the generic data Idaho Power relied on to develop its estimates of the cost of wind generation. For future IRPs Idaho Power will meet with local wind developers to gather additional site specific data.

Idaho Power notes that its resource needs in the near term are primarily of a peaking nature. Since wind, the Company contends, is considered an intermittent resource, wind generation is not Idaho Power's preferred resource to meet seasonal hourly peak needs.

It was suggested that the Company could use wind generation to displace hydro generation, in effect storing the wind energy within the hydro system. The Company notes that in its 2002 IRP, the Company assumes that the hydro systems peaking capacity is fully used. It is therefore unlikely, the Company states, that a wind resource will significantly increase the peaking capacity of the hydro system given the present physical and operating restrictions.

Idaho Power agrees with comments suggesting that wind generation is a mature technology and that there is no need for a pilot project. Although present in the draft 2002 IRP, the Company intended to remove pilot wind project from the final IRP. It failed to do so and apologizes for the confusion. The Company anticipates adding a utility-scale wind project within its service territory sometime in the future. However, the Company does not view such a resource as addressing the seasonal and peak nature of the Company's near term projected deficiencies.

The Company agrees that wind generation will reduce the fuel related volatility associated with its resource mix. A properly structured power or market purchase agreement, the Company states, will also reduce the fuel related volatility. The difference, the Company states, is that a power or market purchase agreement can provide firm power whereas a wind generation option can provide only intermittent power.

Idaho Power states that it has developed a mechanism, the Green Power Program, whereby demand for green energy, such as wind, can be fostered. It is designed to provide a voluntary choice for customers who wish to support new, renewable resources. The Green Power Program, the Company states, is a crucial first step in the assessment of customer's interest in supporting a more expensive, renewable resource. At present, Idaho Power has approximately 1600 customers participating in the Green Power Program requiring about 1 aMW to serve.

While the economies of wind generation are steadily improving, the decision to incorporate the higher cost wind generation in its resource portfolio, the Company states, is primarily a societal and political one. Should the Commission authorize its inclusion for ratemaking purposes, the Company states, it will do so.

GARNET REPORT

Idaho Power requests that the Commission take administrative notice of the Garnet Report in making its ultimate determination as to whether or not to acknowledge the Company's 2002 IRP. The Garnet Report outlines the Company's plans for replacing the Garnet Power Purchase Agreement (PPA) in the Company's resource stack. As noted in the Garnet Report, the

Company is currently pursuing several wholesale firm purchase contracts and exchange agreements. As those contracts are concluded, they will be presented to the Commission for approval for ratemaking purposes.

Idaho Power contends that it is now optimistic that it will be able to replace the seasonal purchases specified in the Garnet PPA with a combination of resources including but not limited to seasonal firm purchase contracts and exchange contracts in the wholesale market that will allow the Company to obtain the capacity and energy that previously would have been supplied under the Garnet PPA at prices that are equal to or less than the cost of the Garnet PPA.

Idaho Power has investigated a number of potential alternatives to replace the Garnet PPA. The alternatives investigated include acquiring firm transmission rights and firm wholesale purchases, energy exchanges, adding or acquiring the output of generation resources located within the Company's control area, and integration of demand side measures where cost effective.

Given the current forward market prices and the projected market clearing prices calculated by the Company's Aurora Analysis Model, the Company contends that firm intermediate term wholesale purchase contracts and exchanges are the Company's lowest cost options at this time. Given the projected market clearing prices for electricity, building generation resources, it states, is not the least cost option in today's market and environment. However, it notes, a solution based on firm wholesale purchases and exchanges, while perhaps the lowest cost alternative at this time, is not equivalent to having a dispatchable generation resource located inside the Company's control area.

The need for additional internal generation or construction of new transmission lines, the Company contends, is inevitable. The Company notes that there are risks associated with building new transmission and relying on a robust wholesale market to supply its future needs. However, if the firm exchange and wholesale purchase agreements identified in the Company's Garnet Report can be consummated at current price levels, then the Company states that a commitment to construct new facilities can be reasonably deferred for a period of time.

In the near term, the Company states it will attempt to acquire available firm transmission rights and move expeditiously to negotiate firm exchange and wholesale power purchase agreements. If firm energy exchanges and wholesale purchases cannot be secured at favorable prices in the near term, the Company contends that it will need to immediately pursue acquisition/development of additional internal generation.

Based on the assumption that the Garnet PPA is cancelled, the Company has identified the following measures as potential alternatives to replace the Garnet PPA and to meet future resource needs:

- Additional transmission & power purchase agreements
- Build additional generation facilities inside Idaho Power's service territory
- Energy exchanges
- Wholesale purchase contracts
- Demand side measures
- Interruptible sales
- Build a jointly owned generation facility

The confidential portion of the Report further narrows and identifies the options the Company is actively pursuing.

MOTION TO INITIATE FORMAL PROCEEDINGS

Motions to initiate a formal proceeding were filed by AARP and the Clean Energy Advocates on August 30, 2002. A similar recommendation was made by the Idaho Rural Council. Idaho Power filed an answer to the motions to which the Advocates responded.

AARP contends that the IRP does not provide a basis for concluding that the cost of future resources identified by the Company are prudent. AARP requests that a new docket be created and full scale hearings be held on the IRP, and on alternative resources more compatible with a least cost scenario for ratepayers. The present proceeding impacts future rate change requests, AARP contends, because it identifies the magnitude of loads to be met and the resources that will be chosen to serve them. Once those decisions are made, AARP contends it will be too late to challenge the rate increases that follow. The time for public participation and full Commission deliberation, AARP contends, is now. AARP recommends hearings be held and conducted in the service areas to be affected with an opportunity for all consumers to express their views. AARP identifies the following issues that need to be addressed at hearing: (1) capacity constraints: generation versus transmission; (2) load growth; (3) renewable resources such as wind power and bio-mass; (4) demand side measures and conservation; and (5) cogeneration. AARP notes the IRP ascribes 0 megawatts to wind power, 0 megawatts to bio-mass, 0 megawatts for load reductions due to demand side measures, pricing options or buy back irrigation programs, 0 megawatts to cogeneration and 0 load reduction to conservation measures. The resultant IRP, AARP contends, is so seriously flawed that it cannot serve as a planning tool for future resource acquisition by the Company.

The Clean Energy Advocates believe that the Company's 2002 IRP does not present a reasonable and prudent plan to meet Idaho Power's customer load in a cost effective manner. Moreover, the Advocates believe that the IRP's deficiencies, as well as the important changes in planning direction reflected in the IRP, are of a significant magnitude to warrant greater scrutiny. The Advocates ask the Commission to open a formal docket and hold hearings for the purpose of investigating cost effective resources which should be pursued in the short and long-term to the benefit of ratepayers but which Idaho Power has chosen to disregard in its IRP. The Advocates note that although the IRP repeatedly recognizes that peak power demands will likely drive the need for more resource acquisition, the IRP does not include any meaningful analysis of load management and other demand side resources. The Advocates believe it is also appropriate to investigate the prudence of Idaho Power's planning assumptions in the IRP, including the Company's move toward more extreme water and weather conditions.

The Advocates reference testimony filed in Case No. IPC-E-01-42 and note the extensive testimony filed in that case addressed many of the issues relevant to Idaho Power's 2002 IRP. Because of the manner in which that case was ultimately resolved, the Advocates note these issues were never substantively addressed by the Commission. It seems regrettable, the Advocates contend, for that analysis to go to waste.

The Advocates propose that Idaho Power's 2002 IRP be sent back to the Company pending the outcome of formal proceedings. The Advocates believe such proceedings could encompass numerous issues but request that the Commission investigate the following: (1) changes to the IRP development process, including more rigorous public and Commission review, as well as meaningful development of alternative methods of meeting loads; (2) specific DSM (both load management and general efficiency) resource alternatives; (3) specific alternative resource options, including increased acquisition of non-hydro power renewable energy resources and other distributed generation; (4) Idaho Power's plans for meeting peak loads in the absence of the Garnet facility; and (5) investigation of the prudence of Idaho Power's new planning criteria for more extreme water and weather conditions.

The Advocates believe that it would be in the best interest of Idaho customers if the docket were generic and involved all the major regulated electric utilities. It is not the Advocates intent for this formal proceeding to be adversarial, but rather more investigatory in nature, leading to

a revised IRP process and the implementation of load management and alternative resource development.

Idaho Power's Answer to Motions to Initiate Formal Proceeding

Idaho Power notes that the two motions and accompanying comments of the Advocates and AARP make essentially the same arguments. First, that the Company's 2002 IRP is fatally deficient because the plan does not include sufficient consideration of demand side management and renewable resource acquisition as alternatives to the acquisition of capacity and energy from more traditional generating resources; and second, that the potential unavailability of the Garnet contract justifies initiating a greatly expanded formal proceeding to revisit the entire 2002 IRP as presented by the Company.

The Company states that the motions fail to recognize that the Commission has already issued Orders and initiated proceedings to address the issues that the Advocates and AARP desire to pursue through "full scale hearings, with testimony and cross-examination available to all parties." The hearings requested by the motions, the Company contends, will require substantial amounts of Commission time and resources to duplicate processes the Commission has already put in place. The proposal that the hearings be expanded to include all three jurisdictional electric utilities in a single proceeding, the Company contends, will only exacerbate the problem. Idaho Power requests that the motions be dismissed without prejudice.

Idaho Power believes that once the Garnet Report is prepared and the Company's reply comments filed, the Commission will be in a much better position to make a determination as to whether or not it has all the information it needs to make a decision to acknowledge the 2002 IRP.

Regarding demand side management and renewable resources, the Company contends that the motions fail to recognize that the Commission has already established a process for considering potential demand side management programs for Idaho Power. In Case No. IPC-E-01-13 (the DSM case), the Company states that after a long and detailed review of the Company's demand side management programs, the Commission established a process by which potential demand side management programs are proposed and reviewed by a customer centered Energy Efficiency Advisory Group (EEAG). Reference Order No. 28894. As those programs are developed, funded and implemented, the Company contends they will be included in the Company's plans for meeting load.

The EEAG process, the Company contends, is the proper venue for Advocates and AARP to propose new DSM programs and to advocate increased expenditures for DSM programs. Granting Advocates and AARP's motions, the Company contends, would by-pass this established EEAG process and would, in reality, render the EEAG process moot.

Advocates Reply

The Advocates contend in reply that neither argument put forth by the Company is a valid excuse for the Company's deficient IRP. If the Company is permitted to file an IRP grounded on a resource which in all likelihood will not be acquired, and also lacking in any serious discussion of potential cost effective DSM and renewable resources, then the Advocates contend that the IRP process itself is rendered meaningless. If Garnet is a defunct resource, the Advocates contend that the 2002 IRP should be rejected for that reason alone. Idaho Power's statement that DSM resources will be "developed funded and implemented" some time in the future, the Advocates contend, highlights the concerns expressed by the Advocates in their motion and comments submitted in response to the Company's IRP. The critical point for purposes of the current motion, the Advocates contend, is that the IRP fails to discuss what those resources might be, even in the most general terms. Excellent information, the Advocates contend, is available through regional studies, experience of other regional utilities during the Energy Crisis of 2000-2001, and Idaho Power's historical experience in DSM, all of which could have informed the IRP, but were ignored by the Company. Should the Commission grant the pending motion and hold formal hearings in this matter, the Advocates intend to present testimony of Tom Power, Bill Chisholm and Jeff Brooks, as well as Ms. Nancy Hirsch, Policy Director of Northwest Energy Coalition.

The Advocates understand and anticipate a reluctance to open a new docket, but believe that the IRP process, and perhaps general rate cases, are the only proceedings in which the Commission and the public must take a comprehensive look at Idaho Power's resources and plans. The IRP process, they contend, is one of the few opportunities we have to take a step back, and ensure that the Company's long-term planning is just and reasonable. IRPs are filed every two years, and the Company is not required to update the data contained therein during the interim.

The Advocates contend that they are not suggesting that the Commission "micro-manage" Idaho Power's resource acquisition decisions. Nonetheless, the Advocates strongly urge the Commission to take a more pro-active role in scrutinizing Idaho Power's IRP and ensuring that ratepayers interests are properly addressed therein. The Advocates contend that Idaho Power has a

fundamental statutory mandate to provide “adequate, efficient, just and reasonable” service. *Idaho Code* § 61-302. The Advocates view the IRP as a roadmap toward that mandate, which should include alternative routes. At present, they contend, the map is incomplete.

Based on its review of the Garnet Report, the Advocates filed a Sur-Reply Brief on December 3, 2002. The Advocates query what meaning the IRP holds if Idaho Power’s actual plans to meet customer loads change radically between the time the Company submits its IRP and the Commission reviews it? The Advocates are concerned that the IRP process is now reduced to a paper exercise, and a waste of the Company’s, the Commission’s, and the public’s time. Advocates believe that the IRP should be a truly integrated look at the Company’s resources and plans to meet customer loads; and further should be a document upon which the Commission and the public can rely when actual acquisition of resources are proposed. The 2002 IRP filed by the Company, the Advocates contend, fails that test.

The Advocates disagree with Idaho Power’s contention that consideration of energy efficiency measures in the IRP would “short circuit” the EEAG. It is plain that consideration of the Garnet facility in the IRP, the Advocates contend, did not “short circuit” the Company’s negotiations over the Garnet PPA. As with its other resource acquisition efforts, the Advocates contend that the Company should have taken the detailed information that is available for energy efficiency investments (including information developed at the EEAG) for analysis and consideration in the IRP. Unfortunately, it states, such analysis did not occur.

The Advocates contend that the Commission should also reject the Company’s argument that Commission precedent precludes the Company from closely considering potential investments in energy efficiency. Of course, the Advocates state, the Commission’s prior Orders are precedential to the extent that the facts and circumstances to the prior cases are applicable to the current matter. The circumstances of 2002, however, the Advocates state, are markedly different from the circumstances in 1989, when the Commission issued Order No. 22636, from which the Company prominently quotes. Indeed, the 2002 IRP, the Advocates note, plainly demonstrates that Idaho Power has done a reversal since the time when it planned to “use conservation as [its] next resource” and generally had “new found enthusiasm for conservation.” Reference Order No. 22636 at pp. 51-52. Moreover, the Advocates contend that the Commission’s historic finding that there is not “sufficient industry experience in estimating the quantity, quality and cost of conservation resources so that they are procurable and reliable,” must be re-evaluated under the circumstances of

2002. The energy efficiency industry, the Advocates contend, has matured sharply in recent years. Indeed, increasingly precise information, they state, is available about the potential for investments in energy efficiency in the Northwest; but this information, the Advocates contend, was disregarded by Idaho Power in its IRP. Available energy efficiency resources today, the Advocates contend, are “reasonably confirmable” and should have been considered in the IRP.

The Advocates note that Idaho Power also eschews the need for and importance of “end use” studies. However, it is plain, the Advocates contend, that one must first ascertain the magnitude and character of a given DSM resource so that targets worth pursuit can be determined, strategies designed, budgets and implementation plans developed and resources acquired. If the first step – customer load research – is not taken then the follow up steps will not be forthcoming and no demand side resource will accrue.

COMMISSION FINDINGS

Idaho Power on June 28, 2002 filed its 2002 IRP with the Commission. The Company on October 30, 2002 filed its Garnet Report. Based on the supplemental information provided, Idaho Power recommends that the Commission acknowledge and accept its 2002 IRP. Commentors suggest that the plan is incomplete. The Rural Council, Advocates, Commission Staff and Advanced Energy Strategies recommend that the IRP be rejected.

Idaho Power contends that the supply resource shortcomings identified by commentors are remedied by its Garnet Report and the alternative resources identified therein. Idaho Power notes that it has filed with its IRP a Conservation Plan. Existing conservation is reflected in the IRP as reduced load forecast. The Company believes that using estimated or projected conservation savings to defer or displace other resources in the IRP would be inconsistent with prior Commission Orders and would short circuit the newly formed Energy Efficiency Advisory Group (EEAG) process. The Company believes that the EEAG process is the correct forum for identifying and promoting new conservation programs, not the IRP.

AARP, the Advocates and the Rural Council recommend that the Commission initiate a formal proceeding or docket to explore the issues presented in their comments including the proposed change in water planning and load condition criteria and to provide a process for meaningful public participation.

Idaho Power 2002 Integrated Resource Plan

The Commission finds that to satisfy the present and future requirements of this Commission and to provide reasonable notice to interested parties the Integrated Resource Plan document prepared by Idaho Power must change. For reasons set forth below, however, we do not require a supplemental filing to its 2002 IRP. Instead we provide direction and suggested changes to Idaho Power for future IRPs.

The Commission agrees with commentors that changes to the IRP process are needed, that the public needs to be included in the process in a more meaningful way. We also agree that for a plan to be integrated it must include not only supply options available to the Company but a considered and reasoned discussion of available demand options. The IRP should not be regarded by Idaho Power as simply an academic or regulatory exercise. It must be reasonable to expect that the IRP is an actual planning document of the Company, that it accurately represents the Company's best estimate of future changes in loads, resources and contract obligations and is indicative of how the Company intends to meet its statutory obligations to serve native load. The plan should present a reasonable assessment of supply and demand side opportunities available to the Company and it should provide an analysis and ranking of same in terms of reliability and least cost. As reflected in our prior Order establishing the IRP filing requirement, the planning document should "give balanced consideration to demand side and supply side resources when formulating resource plans and when procuring resources." Reference Order No. 22299, Case No. U-1500-165. This is especially important, we find, in a time of regulatory change, industry restructuring, market volatility and as the utility and region move out of surplus and into deficit. As the lessons of 2000-2001 demonstrate, Idaho Power can no longer rely solely on the market to meet its deficit needs.

We note that Idaho Power with its IRP has filed a separate Conservation Plan. As commentors note, this plan is prepared on a different cycle and is not generally discussed in the IRP process. The Rural Council in its comments states that its attempt to discuss the potential for conservation and demand side management measures within the IRP public meetings was effectively frustrated by the Company, which deferred the matter to a later meeting and then at the next opportunity for discussion presented instead a proposed draft of the IRP. We find that the Company needs to start its planning process early enough to allow for public input before decisions are made. The separate treatment of conservation, we find, prevents meaningful

consideration of conservation in the IRP process. We expect the Company's future IRPs to provide a more complete discussion and analysis of conservation and DSM.

We remind the Company that under the Certificate it holds it must demonstrate that it manages, operates and provides services under least cost principles that require both efficiency and economy. Believing many DSM programs involving conservation, efficiency improvements and/or load shaping may sometimes be the least cost resource, we expect that the Company will have seriously exhausted and signed up all available cost-effective DSM prior to building a utility-owned supply-side resource or going out for a request for proposals for third party or contract supply-side resources. Alternatively, the Company should be prepared to demonstrate the prudence of its operational decisions.

Finally, we note that we have reviewed the Company's Garnet Report and the Company's plans to replace the Garnet contract. The Commission expects to be provided with periodic updates as to changes in status and/or Company direction. We also expect to be notified in advance of the Company's plans to issue supply-side and demand-side RFPs.

Petition for Formal Proceeding

As reflected in the foregoing comments the Commission recognizes that valid and legitimate concerns have been raised by the parties. Concerned with the wisest investment of time and resources of the utility and parties as well as this Commission, we encourage the commentors to actively participate and address their concerns in the Energy Efficiency Advisory Group and in the Company's 2004 IRP process, which we expect to begin soon.

With the comments and directions provided above, the Commission finds no compelling reason to initiate further investigation or establish a new docket to revisit the IRP requirements of Order No. 22299. We note that this Commission, following the volatility of 2000-2001, is reviewing utility IRPs with a higher level of scrutiny and expects that they will be treated by the Company as a viable planning document that the public can with reasonable assurance rely on as being representative of the utility's resource strategy. To this end we find that the Company has a responsibility to ensure that its IRP between biennial filings does not become stale by failing to reflect significant changes in its load requirements and resource/contract portfolio. Such changes, we find, should be noticed to the Commission by letter filing and to the public by notice on the utility's website.

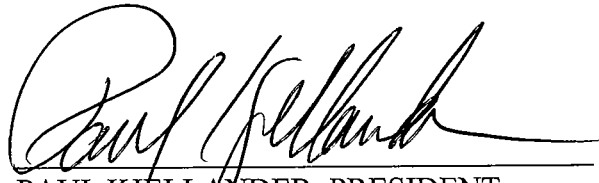
ORDER

In consideration of the foregoing and as more particularly described and qualified above the Commission acknowledges and accepts Idaho Power Company's 2002 IRP filing and provides direction and suggested changes to the Company for future IRPs.


The Commission by this Order DOES HEREBY deny the Petitions filed by AARP, the Advocates and the Rural Council to initiate a formal proceeding or docket.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 11th day of February 2003.



PAUL KJELLANDER, PRESIDENT

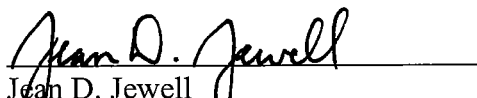


MARSHA H. SMITH, COMMISSIONER



DENNIS S. HANSEN, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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